
BATON ROUGE AREA CONVENTION AND
VISITORS BUREAU

FINANCIAL REPORT

DECEMBER 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 16 2012**

P&N Postlethwaite
& Netterville

A Professional Accounting Corporation

www.pncpa.com

**BATON ROUGE AREA CONVENTION AND
VISITORS BUREAU**

FINANCIAL REPORT

DECEMBER 31, 2011

CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Management's Discussion and Analysis	3 - 7
<u>BASIC FINANCIAL STATEMENTS</u>	
Governmental Funds Balance Sheet and Statement of Net Assets	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	9
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	11
Notes to Financial Statements	12 - 18
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	19
<u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities and the general fund of the Baton Rouge Area Convention and Visitors Bureau (the Bureau) as of December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Baton Rouge Area Convention and Visitors Bureau as of December 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2012 on our consideration of the Bureau's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Patricia Hurwitz ; Nettville

Baton Rouge, Louisiana

April 19, 2012

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

This section of the Baton Rouge Area Convention and Visitors Bureau's (the Bureau) annual financial report presents our discussion and analysis of the Bureau's financial performance during the fiscal year that ended on December 31, 2011. Please read it in conjunction with the Bureau's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The Bureau's net assets were \$3,046,164 at December 31, 2011, increase of 0.65% from net assets as of December 31, 2010 of \$3,026,555.
- The increase in net assets of \$19,609 can be attributed primarily to an operating surplus in the special revenue fund that resulted from revenues exceeding expenditures for the year. In 2010, there was a decrease in net assets of \$346,666 which resulted in net assets of \$3,026,555 at December 31, 2010.
- The general fund ended the years 2011 and 2010 with a \$1,783,762 and \$2,012,163 fund balance which represents approximately 47% and 55% of annual expenditures, respectively. Of that balance, \$797,971 and \$730,419, respectively, was unassigned and available for general use.
- The Bureau received \$329,322 in 2011 due to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. BP provided the funds to the State of Louisiana for use in addressing tourism concerns. The Bureau was appointed to receive and disburse these funds for approved events.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Bureau:

- The government-wide financial statement of net assets and statement of activities provide long-term information about the Bureau's overall financial status and economic condition.
- The fund financial statements focus on the general fund and the special revenue fund of the Bureau. These financial statements provide a short-term picture of the Bureau's financial condition, telling how the Bureau fared in meeting its current operating needs, and how much is available for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Financial Statements

The government-wide statements report information about the Bureau as a whole using accounting methods similar to those used by private-sector companies. The government-wide statements report the Bureau's net assets and how they have changed. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Net assets — the difference between the Bureau's assets and liabilities — is one way to measure the Bureau's financial health, or position. Over time, increases or decreases in the Bureau's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Bureau, one needs to consider additional nonfinancial factors such as changes in the tourism climate that affects the Bureau's hotel/motel tax revenues, and the local economy.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Fund Financial Statements

The fund financial statements present the Bureau's fund – the general fund and the special revenue fund. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes. The Bureau's general fund and special revenue fund are governmental-type funds and, as such, follows the modified accrual basis of accounting. Under this accounting basis, the focus is on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, governmental fund statements provide a detailed short-term view that helps one determine whether there are more or less financial resources that can be spent in the near future to finance the Bureau's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide adjustment columns to bridge the differences between the two statements and to provide explanations of the relationship.

FINANCIAL ANALYSIS OF THE BUREAU

Table A-1		
Net Assets		
	2011	2010
Current and other assets	\$ 1,956,691	\$ 2,068,805
Cash: BP oil funds	263,136	-
Deferred financing costs	5,444	5,763
Capital assets	1,670,322	1,707,629
Total assets	3,895,593	3,782,197
Current liabilities	195,729	79,442
Long term liabilities	653,700	676,200
Total liabilities	849,429	755,642
Net assets		
Invested in capital assets,		
net of related debt	993,822	1,014,392
Restricted – BP oil funds	263,136	-
Unrestricted	1,789,206	2,012,163
Total net assets	\$3,046,164	\$ 3,026,555

A substantial portion of the assets of the Bureau are liquid and generally available for spending. Current assets are comprised primarily of cash, LAMP funds and receivables. Amounts invested in capital assets consist primarily of a renovated office building, office furniture and vehicles.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Change in net assets

The Bureau's change in net assets, or overall net gain, was \$19,609. The change in net assets results from revenues exceeding expenses. The net gain is primarily due to the Bureau receiving the BP oil funds of \$329,322 related to the Gulf oil spill. This is a one-time grant and the funds are restricted according to the grant agreement.

Table A-2 shows the composition of revenues and summarizes the expenses for the years ended 2011 and 2010.

Table A-2 Changes in Bureau's Net Assets		
	2011	2010
Revenues		
Program revenues		
Charges for services	\$ 4,760	\$ 4,897
Other public funds	40,000	-
General revenues		
Hotel-Motel taxes	3,435,444	3,305,857
Interest	1,697	2,663
Miscellaneous	8,825	9,680
Total general revenues	3,490,726	3,323,097
Special revenues		
BP oil funds	329,322	-
Total special revenues	329,322	-
Total revenues	3,820,048	3,323,097
Expenses		
Payroll	1,454,989	1,483,661
Promotions	1,744,662	1,602,732
General and Administrative	496,675	483,370
BP expenses	14,113	-
Contributions- other organizations	90,000	100,000
Total expenses	3,800,439	3,669,763
Increase (decrease) in net assets	\$19,609	(\$ 346,666)

Hotel-Motel taxes of \$3,435,444 reflects a 4% increase over 2010 revenues, and represents approximately 91% of total revenues for 2011. This underscores the importance of the tourism industry to the Bureau and its mission. In 2011, there were additional revenues related to the BP oil funds of \$329,322 which is a one-time grant to address tourism concerns in the East Baton Rouge Parish, and represents approximately 9% of total revenues for 2011.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Change in net assets (continued)

Payroll and promotional activities together represent 84% of total expenses in 2011 and 2010, underscoring the importance of quality employees to promote and sell Baton Rouge as a tourism and convention destination. Additional funds became available from BP in 2011, so the Bureau was awarded an additional \$40,000 in revenue (Other Public Funds) to off-set expenses in 2011 related to the United States Bowling Congress event which is scheduled from February 11, 2012 – July 9, 2012.

Financial Analysis of the General Fund

The Bureau completed the years ended 2011 and 2010 with a general fund balance of \$1,783,762 and \$2,012,163, respectively. Of the 2011 fund balance, \$878,999 has been set-aside by the Board for various functions, \$106,792 has been disbursed and is recorded as a prepaid asset, and \$797,971 is available for general use. Of the \$329,322 BP oil funds received in 2011, \$14,113 has been disbursed for related expenses. The unassigned fund balance is the result of an accumulation of prior year operating surpluses and will allow the Bureau to continue operations in times of decreasing revenue and to pursue other projects as it may deem appropriate.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the Bureau's budget. These budget amendments resulted primarily from an increase in hotel-motel tax revenue. In response to the increase in revenues, the Bureau also increased their overall budget for expenditures.

Under the revised budget, the general fund operated at a net deficit of \$228,401, which was \$187,914 more favorable than the budgeted deficit of \$520,461. This unfavorable result is attributable to the Bureau budgeting excess expenditures during the year that were funded through the Special Project Fund for special events.

CAPITAL ASSETS

At the end of December 31, 2011 and 2010, the Bureau had invested \$1,670,322 and \$1,707,629, respectively, in a building, office equipment and vehicles. See Table A-3. This amount represents a net decrease (including additions and deductions) of \$37,307 or 2% from last year.

	Table A-3 Bureau's Capital Assets (net of depreciation)	
	2011	2010
Equipment	\$ 325,283	\$ 361,717
Building	1,453,790	1,453,790
Land	220,000	220,000
Automobiles	22,706	22,706
Accumulated depreciation	(351,457)	(350,584)
Total	\$ 1,670,322	\$ 1,707,629

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
BATON ROUGE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

CAPITAL ASSETS (continued)

This year's major changes to Capital Assets included:

- Software upgrades
- Computers
- Office renovations
- Removal of approximately \$85,547 of fully depreciated assets (accounting records only).

LONG TERM DEBT

On September 21, 2007, the Bureau entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of paying for the improvement, renovation and equipping of the new headquarters of the Bureau. The Bureau drew-down \$750,000 of the \$1,000,000 available. The outstanding balance at December 31, 2011 and 2010 was \$676,500 and \$699,000, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Bureau's primary source of revenue is the Hotel-Motel tax. Revenues are expected to increase in the upcoming year due to an improvement in the economy. The Bureau has also committed \$200,000 in funding for the 2012 Bayou Country Superfest. This event attracts numerous people to the Capital City for the weekend concert event.

CONTACTING THE BUREAU'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and other constituents with a general overview of the Bureau's finances and to demonstrate the Bureau's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Bureau's Chief Executive Officer, Paul Arrigo, 359 Third Street, Baton Rouge, LA 70801 – (225) 383-1825.

BATON ROUGE AREA CONVENTION & VISITORS BUREAU
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	General Fund	BP Oil Funds	Adjustments	Statement of Net Assets
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,418,053	\$ 263,136	\$ -	\$ 1,681,189
Receivables	431,846	-	-	431,846
Prepaid expenses	106,792	-	-	106,792
Deferred financing costs	-	-	5,444	5,444
Capital assets, net of accumulated depreciation	-	-	1,670,322	1,670,322
TOTAL ASSETS	1,956,691	263,136	1,675,766	3,895,593
LIABILITIES				
Accounts payable	142,118	-	-	142,118
Other current liabilities	30,811	-	-	30,811
Long-term liabilities				
Due within one year	-	-	22,800	22,800
Due in more than one year	-	-	653,700	653,700
TOTAL LIABILITIES	172,929	-	676,500	849,429
FUND BALANCES/NET ASSETS				
Nonspendable - prepaids	106,792	-	(106,792)	-
Restricted - BP oil funds	-	263,136	(263,136)	-
Committed - board designated	878,999	-	(878,999)	-
Unassigned - undesignated	797,971	-	(797,971)	-
TOTAL FUND BALANCE	1,783,762	263,136	(2,046,898)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,956,691	\$ 263,136		
Net assets:				
Invested in capital assets, net of related debt			993,822	993,822
Restricted for - BP oil funds			263,136	263,136
Unrestricted			1,789,206	1,789,206
TOTAL NET ASSETS			\$ 3,046,164	\$ 3,046,164

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA CONVENTION & VISITORS BUREAU
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total fund balances - Governmental funds		\$ 2,046,898
Cost of capital assets at December 31, 2011	2,021,779	
Less: accumulated depreciation as of December 31, 2011	<u>(351,457)</u>	1,670,322
Deferred financing costs		5,444
Contract payable		(676,500)
Total net assets at December 31, 2011 - Governmental Activities		<u>\$ 3,046,164</u>

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	BP Oil Funds	Adjustments	Statement of Activities
Expenditures/expenses:				
Salaries and commissions	\$ 1,086,028	\$ -	\$ -	\$ 1,086,028
Payroll taxes and benefits	368,961	-	-	368,961
Advertising and promotion	992,407	-	-	992,407
Trade shows and FAM/Site visits	102,882	-	-	102,882
Special promotions	649,373	14,113	-	663,486
General and administrative	400,336	-	-	400,336
Contributions to Baton Rouge Area Sports Foundation	90,000	-	-	90,000
Debt service:				
Bond interest expense	9,600	-	-	9,600
Principal retirement	22,500	-	(22,500)	-
Capital outlay	49,113	-	(49,113)	-
Depreciation expense	-	-	86,420	86,420
Amortization of deferred financing costs	-	-	319	319
Total expenditures/expenses	3,771,200	14,113	15,126	3,800,439
Program revenues:				
Charges for services	4,760	-	-	4,760
Other public funds	40,000	-	-	40,000
Net program expense				3,755,679
General revenues:				
Tax revenue	3,435,444	-	-	3,435,444
Interest income	1,697	-	-	1,697
Miscellaneous income	8,825	-	-	8,825
Total general revenues	3,445,966	-	-	3,445,966
Special revenues: BP oil funds	-	329,322	-	329,322
Total Revenues	3,445,966	329,322	-	3,775,288
Excess of expenditures over revenues/ change in net assets	(280,474)	315,209	(15,126)	19,609
Other sources (uses)				
Operating transfers in	52,073	-	-	52,073
Operating transfers out	-	(52,073)	-	(52,073)
Total other sources (uses)	52,073	(52,073)	-	-
Excess of expenditures over revenues/ and other sources (uses)/ change in net assets	(228,401)	263,136		19,609
Fund balance/net assets				
Beginning of year	2,012,163	-		3,026,555
End of year	\$ 1,783,762	\$ 263,136		\$ 3,046,164

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA CONVENTION & VISITORS BUREAU
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2011

Excess of expenditures over revenue	\$	34,735
-------------------------------------	----	--------

The change in net assets reported for governmental activities in the statement of activities is different because of:

Capital assets:

Capital assets acquired for the year ended Decemer 31, 2011	49,113	
Depreciation expense for year ended December 31, 2011	(86,420)	(37,307)

Amortization of deferred financing costs		(319)
--	--	-------

Long Term Debt:

Principal portion of debt service payments		22,500
--	--	--------

Change in net assets	\$	19,609
----------------------	----	--------

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Baton Rouge Area Convention and Visitors Bureau (the Bureau) is a governmental entity established to promote travel and tourism in the Baton Rouge area. The Bureau is also responsible for attracting conventions to Baton Rouge. The basic operations of the Bureau are financed by a hotel-motel tax.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within a reporting entity. Under provisions of this Statement, the Bureau is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Bureau may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Bureau also has no *component units*, defined by GASB Statement 14 as other legally separate organizations for which the elected Bureau members are financially accountable. There are no other primary governments with which the Bureau has a significant relationship. The Bureau is not a component unit of any other entity.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Management believes all accounts are collectible at December 31, 2011.

Basis of Presentation and Accounting

The Bureau's basic financial statements consist of the government-wide statements of the primary government. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The Bureau has elected not to follow subsequent private-sector guidance. The following are the Bureau's governmental fund types:

Governmental Fund Types:

General Fund: Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. This fund is considered a major fund.

Special Revenue Fund: Special Revenue Funds account for the proceeds received from BP as a result of the 2010 Deepwater Horizon Oil Spill. These funds account for the revenues and expenditures related to the funds disbursed through the Louisiana Tourism Recovery Program and is considered a major fund.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting (continued)

Government-Wide Financial Statements (GWFS): The government-wide financial statements consisting of the statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. These statements include the financial activities of the overall government.

The statement of net assets presents the assets and liabilities of the Bureau, with the difference reported as net assets. Net assets are further segregated between the amounts invested in capital assets, amounts which are restricted, and amounts which are unrestricted.

The statement of activities presents a comparison between expenses and program revenues for the Bureau's governmental activities. Program revenues include charges paid by the recipients of goods or services offered by the Bureau.

Fund Financial Statements (FFS): The fund financial statements provide information about the Bureau's general fund. As a governmental fund type, the general fund statements' measurement focus is on the flow of current financial resources, and the modified accrual basis of accounting is used. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable – represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – represents balances where constraints have been established by parties outside the Bureau or imposed by law through constitutional provisions or enabling legislation.

Committed – represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Bureau's highest level of decision-making authority.

Assigned – represents balances that are constrained by the Bureau's intent to be used for specific purposes, but are not restricted nor committed.

Unassigned – represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The Bureau adopts an annual budget that is prepared on the modified accrual basis of accounting for those funds used in the Bureau's operations. The Budget is adopted by the board of directors at the December meeting preceding the next fiscal year. Any revisions that alter the total expenses must be approved by the board of commissioners. Due to the fact that most budgeted projects occur within one fiscal year, the Bureau typically does not have any carryovers of appropriated expenditures into future fiscal years.

Compensated Absences

All full-time employees earn from 10 to 15 days of vacation leave each year, depending on length of service with the Bureau. Vacation leave cannot be accumulated. Upon separation, all earned unused vacation leave will be paid.

All full-time employees earn 10 days of sick leave each year. Sick leave may be accumulated not to exceed 20 work days. If an employee resigns or is terminated, the employee will not be paid for any unused sick leave.

The cost of compensated absence privileges is recognized as a current year expenditure in the General Fund when leave is actually taken.

Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated lives. Useful lives vary from 3 to 15 years for the Bureau's equipment. The useful life for the building is 40 years. Capital assets are depreciated once they are placed in service, except for assets purchased after July 1. Those assets purchased after July 1 are depreciated beginning the following year.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to be consistent with the 2011 presentation.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

2. BOARD MEMBER COMPENSATION

The Board Members of the Bureau did not receive any compensation during 2011.

3. RELATED PARTY TRANSACTIONS

The Bureau contributed \$90,000 to an organization related through common oversight authority during 2011.

The Bureau provided office space to two organizations related through common oversight authority during 2011. This office space was provided free of charge to the related organizations.

4. CASH AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of financial institution failure, the Bureau's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the carrying amount of the Bureau's deposits was \$802,190 and the bank balance was \$911,434. The amounts were completely collateralized and/or insured at December 31, 2011.

The Bureau also invested \$878,999 at December 31, 2011, in the Louisiana Asset Management Pool (LAMP), Inc. a local government investment pool. In accordance with GASB Codification Section 150.125, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the value of the pool shares.

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (continued)

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Bureau's investment policy limits investments to those discussed earlier in this section. LAMP has a Standard & Poor's Rating of AAAm.

5. CAPITAL ASSETS

	2011		
	Beginning Balance	Additions	Ending Balance
Equipment	\$ 361,717	\$ 49,113	\$ (85,547)
Building	1,453,790	-	-
Land	220,000	-	-
Automobiles	22,706	-	-
	<u>\$ 2,058,213</u>	<u>49,113</u>	<u>(85,547)</u>
			<u>\$ 2,021,779</u>
Less: Accumulated Depreciation	\$ 350,584	86,420	(85,547)
			<u>\$ 351,457</u>
Net Capital Assets	<u>\$ 1,707,629</u>		<u>\$ 1,670,322</u>

6. COMMITTED FUND BALANCE

The board has committed \$878,999 of fund balance for special projects, operations, and building repairs. Separate accounts have been established to hold assets earmarked for these committed purposes. A summary of these accounts is as follows:

	2011		
	Beginning Balance	Additions	Ending Balance
LAMP - Special Project Account	\$ 792,876	1,123 (300,000)	\$ 493,999
LAMP - Operations Account	325,005	380 (385)	325,000
LAMP - Building Repair Account	45,005	15,049 (54)	60,000
	<u>\$ 1,162,886</u>	<u>\$ 16,552</u> (<u>\$ 300,439</u>)	<u>\$ 878,999</u>

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

7. RETIREMENT PLAN

The Bureau contributed 10% in 2011, of each eligible employee's salary to an employee defined contribution retirement plan. In order to be eligible under the plan, the employee must have earned at least \$400 in the previous year and be at least 21 years old. Employees are 100% vested at the time of eligibility. The Bureau contributed \$107,462 for the year ended December 31, 2011.

8. RECEIVABLES

Receivables as of December 31, 2011 consisted of the following:

Hotel-Motel Taxes Receivable	\$	390,450
Other Receivables		41,396
	\$	<u>431,846</u>

9. CONTRACT PAYABLE

On September 21, 2007, the Bureau entered into an intergovernmental contract with the City of Baton Rouge, Louisiana to borrow \$1,000,000 for the purpose of providing funding for the improvement, renovation and equipping of the new headquarters of the Bureau. In 2008, the Bureau drew down \$750,000 of the \$1,000,000 available for this purpose. The amount borrowed is due in monthly payments amortized over the life of the contract, bearing interest at the Securities Industry and Financial Markets Association (SIFMA) rate plus 1.2%. The interest rate at December 31, 2011 was 1.81%. Principal repayments during 2011 were \$22,500. This contract ends December 21, 2029. The contract is secured by and payable from the lawful and available funds of the Bureau. The outstanding balance at December 31, 2011 was \$676,500.

The minimum debt service payments are scheduled to occur as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 22,800	\$ 12,056	\$ 34,856
2013	24,900	11,631	36,531
2014	26,400	11,162	37,562
2015	26,400	10,684	37,084
2016	28,400	10,192	38,592
2017-2021	170,300	42,282	212,582
2022-2026	220,900	24,777	245,677
2027-2029	156,400	4,347	160,747
	<u>\$ 676,500</u>	<u>\$ 127,131</u>	<u>\$ 803,631</u>

BATON ROUGE AREA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

10. COMMITMENTS

The Bureau has entered into an agreement, dated February 1, 2012, with Festival Productions, Inc. – New Orleans for an event to be held in the City of Baton Rouge on May 26 and May 27, 2012. The Bureau will provide \$200,000 in funding to ensure success of the event.

11. SUBSEQUENT EVENT

Management has evaluated events through the date that the financial statements were available to be issued, April 19, 2012 and determined that there were no events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

BATON ROUGE AREA CONVENTION & VISITORS BUREAU
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Tax revenue	\$ 3,285,000	\$ 3,385,000	\$ 3,435,444	\$ 50,444
Interest income	2,788	1,588	1,697	109
Miscellaneous income	750	750	8,825	8,075
Charges for services	1,900	4,737	4,760	23
Other public funds	-	-	40,000	40,000
Total revenues	<u>3,290,438</u>	<u>3,392,075</u>	<u>3,490,726</u>	<u>98,651</u>
<u>EXPENDITURES</u>				
Salaries and commissions	1,086,306	1,089,426	1,086,028	3,398
Payroll taxes and benefits	376,968	377,206	368,961	8,245
Advertising and promotion	968,974	1,007,974	992,407	15,567
Trade shows and FAM/Site visits	113,130	108,605	102,882	5,723
Special promotions	711,000	675,690	649,373	26,317
General and administrative	474,855	474,665	400,336	74,329
Contributions to Baton Rouge Sports Foundation	90,000	90,000	90,000	-
Debt service:				
Bond interest	14,500	14,500	9,600	4,900
Principal retirement	22,500	22,500	22,500	-
Capital outlay	14,000	51,970	49,113	2,857
Total expenditures	<u>3,872,233</u>	<u>3,912,536</u>	<u>3,771,200</u>	<u>141,336</u>
<u>EXCESS OF REVENUES (UNDER)</u>				
<u>OVER EXPENDITURES</u>	(581,795)	(520,461)	(280,474)	239,987
<u>OTHER SOURCES (USES)</u>				
Operating transfers in	-	-	52,073	(52,073)
Operating transfers out	-	-	-	-
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>52,073</u>	<u>(52,073)</u>
<u>EXCESS OF EXPENDITURES OVER</u>				
<u>REVENUES/ AND OTHER SOURCES</u>				
<u>(USES)/ CHANGE IN NET ASSETS</u>	(581,795)	(520,461)	(228,401)	187,914
<u>FUND BALANCE</u>				
Beginning of year	<u>2,012,163</u>	<u>2,012,163</u>	<u>2,012,163</u>	-
End of year	<u>\$ 1,430,368</u>	<u>\$ 1,491,702</u>	<u>\$ 1,783,762</u>	<u>\$ 187,914</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have audited the financial statements of Baton Rouge Area Convention and Visitors Bureau (the "Bureau") as of and for the year ended December 31, 2011, and have issued our report thereon dated April 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 19, 2012

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Baton Rouge Area Convention and Visitors Bureau
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by Management, solely to assist you with respect to the accounting records related to the British Petroleum (BP) Oil Funds received and disbursed by Baton Rouge Area Convention and Visitors Bureau (the Bureau) for the year ended December 31, 2011. Management is responsible for the accounting records. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the Bureau is acting on its own behalf or has designated a single outside third party to handle the responsibilities related to the Louisiana Tourism Recovery Program (LTRP) allocation.

No exceptions noted.

2. For changes to the Scope of Work and Budget, determine if the required written requests were submitted to the Office of Lieutenant Governor (OLG) and were approved.

No exceptions noted.

3. Determine if the required Quarterly Reports on LTRP expenditures and activities, along with supporting documentation, were prepared and submitted to the OLG by the deadline dates.

No exceptions noted.

4. Determine if the required Final Report was submitted to the OLG within 60 days of the completion of the Scope of Work, but no later than December 19, 2013.

No exceptions noted.

5. Determine if the Bureau (or outside third-party if applicable) has taken affirmative steps to preserve all LTRP records, including electronically stored information.

No exceptions noted.

Expenditures

Obtain all *Quarterly Expenditure Report* documents that applied to the year under audit and perform the following on each:

1. Trace and verify the total amounts listed in the "Approved Budget Total Amount" column to the related expense/budget categories in the approved budget.

No exceptions noted.

2. Trace and verify the total amounts listed in the "Current Quarterly Expenditures by the Parish" column to supporting documentation (e.g., general ledger).

No exceptions noted.

3. Of the total quarterly expenditures, select a number of transactions that follows the generally accepted auditing guidelines and determine if:

- The expenditures were made in compliance with the approved Scope of Work and Budget, as may have been amended;
- The expenditures were made in compliance with all applicable statutory provisions (e.g., procurement, ethics, etc.)

No exceptions noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Baton Rouge Area Convention and Visitors Bureau, the Office of the Lieutenant Governor, the Legislative Auditor and the Board of Directors and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 19, 2012